

AR45



Interim report to shareholders

For the six months ended March 31, 1977

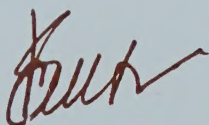
Ashland Oil Canada Limited

Consolidated statement of income*

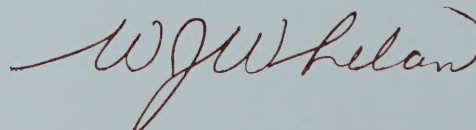
(\$000's omitted)

	Three Months Ended March 31		Six Months Ended March 31	
	1977	1976	1977	1976
INCOME				
Net sales and operating revenue.....	\$29,594	\$22,943	\$83,627	\$74,512
Gain on disposal of assets.....	31	459	123	472
Miscellaneous income.....	357	179	692	361
TOTAL INCOME.....	29,982	23,581	84,442	75,345
EXPENSES				
Costs and expenses.....	17,283	16,764	57,300	54,688
Depreciation, depletion and amortization...	4,246	2,931	9,333	6,970
Interest on long-term debt.....	1,051	424	1,871	835
TOTAL EXPENSES.....	22,580	20,119	68,504	62,493
Income before minority interest and taxes.....	7,402	3,462	15,938	12,852
Provision for taxes on income:				
Current.....	2,297	1,148	6,311	5,329
Deferred.....	1,624	502	1,762	1,126
TOTAL TAXES.....	3,921	1,650	8,073	6,455
Income before minority interest.....	3,481	1,812	7,865	6,397
Minority interest.....	176	175	352	351
NET INCOME.....	\$ 3,305	\$ 1,637	\$ 7,513	\$ 6,046
Income per common share:				
Basic income.....	26¢	13¢	58¢	46¢
Fully diluted income.....	24¢	12¢	54¢	44¢
Cash flow from operations –				
see accompanying statement of changes in financial position.....	\$ 9,175	\$ 5,069	\$18,608	\$14,142
Average daily production (gross before royalties) :				
Crude oil and natural gas liquid products (barrels).....			21,513	18,772
Natural gas (millions of cubic feet).....			62.5	42.6

On behalf of the Board :



Director



Director

Consolidated statement of changes in financial position*

(\$000's omitted)

WORKING CAPITAL WAS PROVIDED FROM:

	Six Months Ended March 31	
	1977	1976
Net income.....	\$ 7,513	\$ 6,046
Depreciation, depletion and amortization.....	9,333	6,970
Deferred income taxes.....	1,762	1,126
Provided from operations.....	18,608	14,142
Property and equipment disposals.....	164	58
Decrease in notes receivable.....	—	497
Proceeds from issue of 10%% Sinking Fund Debentures.....	29,162	—
Miscellaneous.....	—	19
TOTAL WORKING CAPITAL PROVIDED.....	\$ 47,934	\$ 14,716

WORKING CAPITAL WAS USED FOR:

Property and equipment additions.....	\$ 30,380	\$ 13,166
Reduction in long-term debt.....	10,032	106
Dividends — preferred shares.....	46	46
— common shares.....	1,292	1,291
Miscellaneous.....	945	8
TOTAL WORKING CAPITAL USED.....	\$ 42,695	\$ 14,617
Increase (decrease) in working capital.....	\$ 5,239	\$ 99
Working capital at beginning of period.....	19,864	18,541
Working capital at end of period.....	\$ 25,103	\$ 18,640

Condensed consolidated balance sheet*

(\$000's omitted)

ASSETS

	March 31	
	1977	1976
Current assets.....	\$ 77,857	\$ 66,274
Investments and other assets.....	6,003	4,136
Property, plant and equipment — net.....	186,262	155,918
	\$270,122	\$226,328

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities.....	\$ 52,754	\$ 47,634
Long term debt — less current portion.....	50,360	30,839
Deferred income tax.....	48,804	43,719
Minority interest.....	7,032	7,032
Shareholders' equity.....	111,172	97,104
	\$270,122	\$226,328

*The above statements are unaudited and subject to year-end adjustments.

To the shareholders

Ashland Canada's net income for the six months ended March 31, 1977 was \$7.5 million, or 54¢ per common share compared with \$6.0 million or 44¢ per common share for the same period of the last fiscal year.

The 24% increase in earnings for the six months was mainly attributable to increased production of crude oil and natural gas and, to a lesser extent, increased prices for both products.

Gross revenue of \$84.4 million was up 12% over the \$75.3 million recorded for the same period a year ago. Cash flow increased by 32% to \$18.6 million from \$14.1 million.

Capital expenditures of \$30.2 million are more than double those of a year ago and are related predominantly to oil and gas operations. Significant exploration programs have been undertaken in the Owl River area of west central Alberta, where "Ashland et al Owl River 10-27-45-16" is currently drilling, and in the Limestone Mountain area of the Alberta foothills.

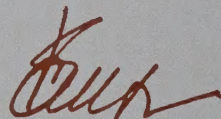
Two wells, Brae 16/7-6 and Brae 16/7-7, drilled as part of the program to delineate the Brae field in the British sector of the North Sea, have been abandoned. Drilling is currently underway on Brae 16/7-8 and a site will be chosen soon for Brae 16/7-9. The program will be reviewed following results of these tests.

In the six month period, Ashland Canada participated directly in the drilling of 84 wells, 65 of which were completed for oil or gas production. In addition, 42 wells were drilled under farmout arrangements on Ashland Canada lands resulting in 4 oil wells and 31 gas wells in which the Company retains varying interests.

The Asphalt Paving & Materials Division continues to face a difficult period in an economy that is showing little growth and where capital spending on construction in both the public and private sectors is at a low level. However, recent signs indicate more favourable conditions can be expected for the balance of the year. The backlog of work at March 31st was \$28.1 million against \$23.3 million a year ago.

The chemical and petroleum products operations are showing an improvement over last year and we are confident that the trend will continue for the balance of the year. A contract has been awarded for construction of a Valvoline packaging plant in the Toronto area. On site work is about to commence with completion scheduled for late in the year.

At a recent meeting, Federal and Provincial Energy Ministers failed to arrive at a decision on crude oil prices which are expected to increase on July 1st, 1977. Reports on the meeting indicate that the price increase could range from \$1.25 to \$3.00 per barrel. Even at the high end, Canadian crude oil prices would still be priced below the average price level of crude oil in the United States.



VERNON VAN SANT, JR.

President and
Chief Executive Officer.

April 29, 1977.